

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07

ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 5413

INFO AMEMBASSY CANBERRA

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, GATT, NZ

SUBJECT: NEW ZEALAND'S IMPORT LICENSING SYSTEM

REF: (A) STATE 93210

- (B) WELLINGTON 1752

- (C) GENEVA 5777

1. BEGIN SUMMARY:

EMBASSY APPROACHED GOVERNMENT OF NEW ZEALAND (GNZ) AND MADE POINTS SPECIFIED IN REF.A. FORMAL RESPONSE OF THE GNZ WILL BE PROVIDED IN WRITING SHORTLY. INFORMAL REMARKS OF ASSISTANT SECRETARY FOR TRADE AND INDUSTRY CENTERED ON DIFFICULT TIMING OF U.S. APPROACH VIS A VIS THE MTN AND THIS YEAR'S NATIONAL ELECTIONS. ASSISTANT SECRETARY CHARACTERIZED U.S. OBJECTIONS AS "LEGALISMS" AND ASKED FOR MORE UNDERSTANDING OF NZ'S ECONOMIC PLIGHT BY A CLOSE ANZUS ALLY AND FRIEND.
END SUMMARY.

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2. EARLY THIS WEEK ECONOMIC OFFICER CALLED ON ASSISTANT SECRETARY OF TRADE AND INDUSTRY, E. WOODFIELD, TO RAISE FORMALLY POINTS REGARDING IMPORT LICENSING AND GATT OBLIGATIONS OUTLINED REF.A. (WE HAD EARLIER MADE INFORMAL APPROACHES ON THE SAME SUBJECT). THIS WAS FOLLOWED UP BY DELIVERY OF A NOTE TO THE MINISTRY OF FOREIGN AFFAIRS. A FORMAL WRITTEN RESPONSE BY THE

GOVERNMENT OF NEW ZEALAND WILL BE GIVEN SHORTLY.

3. IN THE MEANWHILE, IT IS WORTH NOTING THE INFORMAL REMARKS ON THE QUESTION OF IMPORT LICENSING AND THE GATT CONVEYED BY WOODFIELD:

(A) ARTICLE XII: WOODFIELD SAID THERE WAS NO DOUBT THAT NEW ZEALAND WAS JUSTIFIED IN IMPOSING IMPORT LICENSING GIVEN THE COUNTRY'S SEVERE BALANCE OF PAYMENTS (BOP) PROBLEMS. WHEN ASKED WHY THE COUNTRY HAD NOT INVOKED ARTICLE XII, WOODFIELD SAID THAT BEFORE CONSIDERING SUCH ACTION HIS DEPARTMENT WAS HOPING TO SEE THE OUTCOME OF THE MTN IN GENEVA. CLEARLY, IF THE GNZ ACHIEVES WHAT IT IS SEEKING FROM THE MTN IN IMPROVED ACCESS FOR AGRICULTURAL PRODUCTS, ITS BOP WOULD IMPROVE MARKEDLY. WOODFIELD WAS CAREFUL TO NOTE, HOWEVER, THAT SUCH IMPROVEMENT WOULD NOT NECESSARY MEAN THE DEMISE OF IMPORT LICENSING BUT THAT MARKED "LIBERALIZATION" WOULD BE ANTICIPATED. IN THIS CONTEXT WOODFIELD SAID THAT THE NEW TARIFF SCHEDULED TO BE INTRODUCED ON JULY 1 WAS DESIGNED TO TAKE SOME OF THE BURDEN OF SHELTERING DOMESTIC INDUSTRY OFF OF IMPORT LICENSING IN FAVOR OF STRAIGHT TARIFF PROTECTION. STILL, WOODFIELD ACKNOWLEDGED THERE MIGHT STILL BE A ROLE FOR IMPORT LICENSING IN PROTECTING CERTAIN INDUSTRIES AND AS A MONITORING DEVICE BY GOVERNMENT. TO DATE NO LIMITED OFFICIAL USE

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TRADING PARTNER NOR THE GATT HAD RAISED THE ARTICLE XII QUESTION BUT IF THE US WISHED TO PRESS HARD ON THE ISSUE THE GNZ WOULD HAVE TO GIVE SERIOUS THOUGHT TO THE QUESTION.

WHEREAS THE GNZ WOULD IF NECESSARY BE PREPARED RELUCTANTLY TO ENGAGE IN THE CONSULTATIVE PROCEDURES REQUIRED UNDER ARTICLE XII, SUCH ACTION HAD CERTAIN POLITICAL COSTS. WOODFIELD SAID SOME ELEMENTS HERE HAVE QUESTIONED VALUE OF MEMBERSHIP IN AN ORGANIZATION WHERE NEW ZEALAND ASSUMES OBLIGATIONS BUT ITS MAJOR TRADING PARTNERS, ALSO GATT MEMBERS, IMPOSE QUANTITATIVE RESTRICTIONS ON NEW ZEALAND PRIMARY PRODUCT EXPORTS. WOODFIELD SAID HE WAS AWARE OF THE "LEGAL NICETIES" INVOLVED BUT THE FACTS WERE CLEAR: NZ HAD FAR MORE QUANTITATIVE RESTRICTIONS IMPOSED ON ITS TRADE THAN IT IMPOSED ON THE TRADE OF OTHERS. HIGHLIGHTING THIS SITUATION AT THIS TIME BY INVOKING ARTICLE XII WAS NOT SOMETHING THE GNZ WAS REALLY KEEN TO DO.

4. SPECIAL TRADE LICENSES (STL)

WOODFIELD MADE NO ATTEMPT TO JUSTIFY THESE, BUT NEITHER WOULD HE OFFICIALLY ACKNOWLEDGE THAT THEY WERE A CLEAR VIOLATION OF ARTICLE XIII OF THE GATT.THE

SYSTEM HE SAID HAD "GROWN LIKE TOPSY" BUT WAS NOW BEING TIGHTENED UP CONSIDERABLY. THE SCHEME WAS DEvised TO BOTH GIVE DEVELOPING COUNTRIES A FOOthOLD IN THE NZ MARKET AND TO ALLOW THE GNZ TO GIVE SOME TYPE OF "BONE" TO THE EASTERN EUROPEAN COUNTRIES WHO WERE BUYING GREATER QUANTITIES OF PRIMARY PRODUCTS. IN ANY CASE, SAID WOODFIELD, THE SPECIAL LICENSES ACCOUNTED FOR ONLY A FRACTION OF THE COMMODITIES SUBJECT TO LICENSING (WHICH IN TURN ARE ONLY ABOUT 25 OF TOTAL IMPORTS). THE LICENSES ARE ALSO LIMITED IN QUANTITY AND TEMPORARY IN NATURE. WOODFIELD SAID HE KNEW OF NO INSTANCE WHEN NZ MAJOR TRADING PARTNERS, INCLUDING THE U.S. HAD BEEN HURT BY THE SYSTEM. SHOULD SUCH BE THE CASE HE WOULD

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COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
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INVITE US TO DISCUSS THE PARTICULAR INSTANCE WITH HIS DEPARTMENT.

5. WOODFIELD THEN REMARKED THAT HE REALLY COULD NOT LET OUR CONVERSATION CONCLUDE WITHOUT EXPRESSING HIS DISAPPOINTMENT THAT IT WAS THE UNITED STATES, NEW ZEALAND'S CLOSEST ALLY, THAT CHOSE TO RAISE THIS "LEGALISTIC" MATTER. WOODFIELD SAID HE WOULD HAVE HOPED THE U.S. WOULD HAVE HAD A BIT MORE UNDERSTANDING OF NEW ZEALAND'S VERY GRAVE DIFFICULTIES AT THE MOMENT WHICH MADE IT VITAL THAT FOREIGN EXCHANGE BE CONSERVED AND NEW EXPORT MARKETS DEVELOPED. IN THE CASE OF THE SPECIAL IMPORT LICENSES THE U.S. APPROACH WAS

PARTICULARLY HARD TO UNDERSTAND, GIVEN THE MINOR NATURE OF THE PROGRAM GENERALLY AND THE TOTAL LACK OF EVIDENCE THAT U.S. FIRMS HAD BEEN INJURED BY THE SCHEME. FINALLY WOODFIELD EMPHASIZED THAT IN ALL HIS REMARKS HE SPOKE FOR HIS DEPARTMENT AND WAS NOT GIVING A FORMAL GNZ RESPONSE.

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6. COMMENT:

THROUGHOUT THE DISCUSSION, ECONOFF REITERATED THE POINTS IN REF.A. WHILE ACKNOWLEDGING THAT THE GNZ COULD ARGUE A GOOD BOP CASE, HE STRESSED THE APPLICABILITY OF ARTICLE XII. HE ALSO EMPHASIZED THE DISCRIMINATORY ASPECTS, WHATEVER THE VOLUME OF TRADE INVOLVED, OF THE STL AND URGED IMMEDIATE REMOVAL. HOWEVER, AS THIS IS AN ELECTION YEAR IN A DIFFICULT ECONOMIC CLIMATE WE DOUBT THE GOVERNMENT WILL WANT TO EXPOSE ITSELF TO ATTACKS FROM THE LABOUR OPPOSITION OF FAVORING BUSINESS BY EASING IMPORT LICENSING. IF WE PRESS HARD WE COULD, AT THE COST OF GENERATING SOME ANTI-U.S. RESENTMENT, MOST PROBABLY PUSH NZ TO ARTICLE XII. AS, HOWEVER, THIS MATTER HAS ALREADY DRAGGED ON SEVERAL YEARS, WE WOULD RECOMMEND THAT, IF THE NEW ZEALANDERS RESPOND NEGATIVELY TO THIS WEEK'S REQUEST, WE WAIT UNTIL AFTER THE JULY MTN COMPLETION DATE BEFORE PRESSING THEM AGAIN. ON THE STL, WE DOUBT THE GNZ WILL READILY ABANDON THIS CARROT, GIVEN THE PRESENT VITAL NECESSITY OF DEVELOPING NEW MARKETS FOR THE COUNTRY'S PRIMARY PRODUCT EXPORTS.

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